

## Message Text

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PAGE 01 BRUSSE 13751 151120Z  
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05  
SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02  
OMB-01 DOE-15 XMB-02 OPIC-03 SIL-01 /132 W  
-----043092 151125Z /15

R 131659Z JUL 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 7844  
INFO ALL EC CAPITALS  
AMEMBASSY BERN  
AMCONSUL ZURICH  
USMISSION GENEVA

C O N F I D E N T I A L BRUSSELS 13751

USEEC

C O R R E C T E D C O P Y (TEXT - PARA 6 LINE MISSING)

GENEVA ALSO FOR MTN

E.O. 11652: GDS  
TAGS: EEC, EFIN  
SUBJECT: SWISS AMBASSADOR ON EUROPEAN MONETARY DEVELOP-  
MENTS

1. SWISS AMBASSADOR CAILLAT CALLED ON ME JULY 13 AT HIS  
REQUEST TO DISCUSS BREMEN AND COMMUNITY MONETARY THINKING.  
HE BEGAN BY SAYING THAT SWITZERLAND WAS CONCERNED BOTH IN  
THE SENSE IN SOME QUARTERS OF BEING WORRIED OVER THE IM-  
PLICATIONS FOR THE SWISS FRANC, THE DOLLAR, AND THE WORLD  
MONETARY SYSTEM AND IN OTHER QUARTERS IN THE SENSE OF  
BEING INTERESTED IN WHAT WAS RECOGNIZED AS A MAJOR POLI-  
TICAL DEVELOPMENT.

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2. THE SWISS NATIONAL BANK'S AND SPECIFICALLY ITS PRESI-  
DENT'S, LEUTWEILER'S, INITIAL REACTION WAS THAT THE PRO-  
POSALS WERE NOT NECESSARY BAD BUT THAT IT WOULD BE INCREDI-  
BLY DIFFICULT TO GET THE MECHANISMS RIGHT AND THAT EVERY-  
THING DEPENDED ON THE ACTUAL MECHANISMS WHICH MIGHT BE  
AGREED UPON. THE NATIONAL AUTHORITIES AT BERN WERE MORE

POSITIVE. LIKE THE US, HE SAID, SWISS GOVERNMENT SUPPORT-ED CONCEPT OF EUROPEAN INTEGRATION AND GENERALLY LOOKED WITH FAVOR UPON THE EXTENSION OF THIS PROCESS TO THE MONE-TARY FIELD. IN ADDITION IT WAS THOUGHT THAT A CLOSE LINK OF THE FRANC TO THE DM WOULD BE AN ADVANTAGE TO SWITZERLAND SINCE SWISS-FRENCH TRADE RELATIONS SUFFERED FROM THE VOLATILITY OF THE FRENCH FRANC.

3. WHAT WAS CLEAR, CAILLAT SAID, WAS THAT IF THE EUROPEANS ESTABLISHED A COMMUNITY MONETARY SYSTEM, SWITZERLAND WOULD HAVE TO HAVE CLOSE LINKS TO THAT SYSTEM. HE CONFIRMED THAT SCHULMANN, ON THE CHANCELLOR'S INSTRUCTIONS, HAD VISITED SWITZERLAND PRIOR TO BREMEN AND HE LEFT ME WITH THE IMPRESSION THAT IN SOME CIRCUMSTANCES THE SWISS MIGHT EVEN BE PREPARED TO JOIN SYSTEM. HE WAS CATEGORIC THAT TO THE EXTENT THAT THE SYSTEM WOULD REDUCE OR ELIMINATE THE NEED FOR OFFSETTING INTERVENTIONS IN EUROPEAN CURRENCY-ES VIS-A-VIS THE DOLLAR SWITZERLAND WOULD WELCOME IT. HE TALKED ABOUT THE DIFFICULTIES LAST YEAR WHEN THE BANK OF ENGLAND WAS SELLING DOLLARS TO SUPPORT STERLING AND THE SWISS BANK HAD NO CHOICE BUT TO BUY MASSIVE AMOUNTS OF UNNEEDED DOLLARS. HE COMMENTED IT WOULD HAVE BEEN FAR CHEAPER FOR THE SWISS TO HAVE WORKED DIRECTLY WITH THE BRITISH TO SUPPORT STERLING.

4. CAILLAT WELCOMED INDICATIONS THAT EC PLAN WOULD ALSO  
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PROVIDE FOR RESOURCE TRANSFERS FROM RICHER TO POORER EUROPEAN COUNTRIES. HE SAID SWISS GOVERNMENT WOULD BE PREPARED TO CONTRIBUTE AND THOUGHT SWISS ELECTORATE COULD BE PERSUADED TO APPROVE.

5. HE ASKED ABOUT US ATTITUDES AND I DESCRIBED THEM TO HIM IN TERMS OF EXISTING GUIDANCE, COMMENTING THAT WE TOO WERE FAVORABLY DISPOSED POLITICALLY BUT THAT MUCH WOULD DEPEND ON THE DETAILS OF THE EVENTUAL SCHEME.

6. CAILLAT SAID IT WAS A CONVICTION OF THE SWISS GOVERN-MENT AND THE SWISSNATIONAL BANK THAT NO EUROPEAN MONETARY SCHEME COULD WORK SATISFACTORILY WITHOUT US COOPERATION TO HELP MAINTAIN MONETARY STABILITY. I REPLIED THAT WHILE THIS WAS RIGHT, OUR VIEW OF THE NECESSARY KIND OF US CO-OPERATION PROBABLY DIFFERED FROM THE SWISS VIEW. HE AC-CEPTED THE POINT. CAILLAT THEN SAID THAT THERE WAS ANOTHER MATTER OF GREAT CONCERN, THAT WAS THE RELATION OF OPEC STATES TO THE POSSIBLE EUROPEAN ARRANGEMENTS. HE THOUGHT IT WOULD BE "FATAL" IF THE EUROPEANS MADE SO MUCH PROGRESS THAT OPEC DECIDED TO PRICE OIL IN ECU'S. I PRESSED HIM AS TO WHY, NOTING THAT IN ANY CASE IT WOULD BE A NUMBER

OF YEARS BEFORE ANYBODY COULD PRICE ANYTHING IN A NON-EXISTENT CURRENCY. FRANKLY I FOUND HIS TECHNICAL EXPLANATION OF THE ALLEGED DANGERS TO BE FAULTY, BUT HIS BASIC CONCERN SEEMS TO RUN TO THE EFFECT ON THE WORLD MONETARY SYSTEM AND ON SWITZERLAND WERE ANOTHER RESERVE CURRENCY GRADUALLY TO COME INTO BEING.

7. I TOOK ADVANTAGE OF CAILLAT'S CALL TO PRESS HIM HARD ON THE RULES OF ORIGIN QUESTION AND THE OPPORTUNITY OUR PRESSURE PROVIDED SWITZERLAND TO MOVE IN THE DIRECTION IT HAS LONG FAVORED BUT NOT PUSHED FOR VIGOROUSLY. HE PROMISED TO DO WHAT HE COULD TO HELP. HINTON

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NNN

## Message Attributes

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**Channel Indicators:** n/a  
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**Concepts:** FINANCIAL STABILITY, AMBASSADORS, ECONOMIC PROGRAMS  
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**Decaption Date:** 01 jan 1960  
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**Disposition Approved on Date:**  
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**Review Markings:**  
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